

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 INT-05 L-03 /080 W

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R 251428Z JUN 75

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC 1370

INFO AMEMBASSY MONROVIA

UNCLAS FREETOWN 1397

E.O. 11652: N/A

TAGS: ETRD SL

OJSUBJECT: EXPORT RESTRICTIONS IMPOSED BY FOREIGN GOVERNMENTS

REF: (A) FREETOWN 0291, FEB 14, 1974

(B) FREETOWN A-24, MARCH 7, 1974

(C) STATE 140681 #

1. FOLLOWING UPDATES AND EXPANDS ON REFS A AND B.

2. REFS A AND B REMAIN UP TO DATE EXCEPT AS FOLLOWS:

A. GOSL NO LONGER IMPOSES STEEPLY PROGRESSIVE EXPORT
TAX ON COFFEE AND COCOA DESCRIBED IN REF A.

B. GOSL IS NOW MEMBER OF INTERNATIONAL BAUXITE ASSOCIATION,
ORGANIZATION OF IRHC ORE EXPORTING COUNTRIES AND
INTERNATIONAL COFFEE ORGANIZATION.

C. STRUCTURE DIAMOND EXPORTING INDUSTRY ALLUDED TO IN
REF B HAS BEEN ALTERED AS DESCRIBED PARAS 3 THRU 6
BELOW.

3. GOSL RESTRICTS EXPORTS OF GEM AND INDUSTRIAL ROUGH

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DIAMONDS FROM SIERRA LEONE BY VARIETY OF METHODS LINKED

WITH THE MARKETING SERVICES OF THE CENTRAL SELLING ORGANIZATION (CSOJ) CARTEL. PURPOSE OF THIS RESTRICTION FROM NATIONAL POINT OF VIEW IS TO PROTECT AGAINST PREMATURE DEPLETION OF A NON-RENEWABLE NATURAL RESOURCE AND TO USE CSO'S FINANCIAL STRENGTH TO SMOOTH OUT LOCAL EFFECT OF INTERNATIONAL DIAMOND PRICE FLUCTUATIONS, THUS STABILIZING PRODUCER INCOMES. METHODS OF RESTRICTIONS VARY SOMEWHAT

BETWEEN THE TWO MAJOR SYSTEMS OF DIAMOND PRODUCTION EXISTING IN SIERRA LEONE, THE NATIONAL DIAMOND MINING COMPANY (DIMINCO) AND THE ALLUVIAL DIAMOND MINING SCHEME (ADS).

4. EXTENSIVE DIAMOND-BEARING AREAS OF SIERRA LEONE HAVE BEEN LEASED EXCLUSIVELY TO 51 PERCENT GOVERNMENT-OWNED DIMINCO. BY SLOWING DIMINCO'S RATE OF PRODUCTION AND EXPLORATION OF NEW PROSPECTING AREAS GOSL HAS RESTRICTED QUANTITY OF DIAMOND EXPORTED FROM SIERRA LEONE. OTHER RESTRICTIONS INCLUDE LIMITING EXPORT LICENSES FOR DIMINCO PRODUCTION TO ABOUT FIVE BUYING FIRMS, TWO OF WHICH ARE AMERICAN, WHICH ARE OBLIGATED TO BUY FIXED PERCENTAGES UNDER THIS ARRANGEMENT. FIFTY PER CENT OF DIMINCO PRODUCTION GOES TO

THE CSO ASSOCIATE FIRM, DICOR WEST AFRICA. THESE EXPORTS SUBJECT TO SEVEN AND ONE HALF PER CENT AD VALOREM EXPORT TAX.

5. RESTRICTION OF EXPORTS UNDER ADS SCHEME, WHICH CONSISTS OF THOUSANDS OF SMALL SCALE LICENSED INDIGENOUS DIGGERS, ACCOMPLISHED PRIMARILY BY LICENCING. UNTIL 1974 ONLY THE GOVERNMENT DIAMOND OFFICE MANAGED BY DICOR WEST AFRICA CONTROLLED BOTH BUY AND EXPORT ADS DIAMONDS. LOCAL PRICING POLICY WAS INTENDED TO SOFTEN DOMESTIC EFFECTS OF WORLD DIAMOND MARKET FLUCTUATIONS, BUT GDO TENDENCY NOT TO FOLLOW WORLD PRICES UP DURING BOOM PERIODS GAVE GREAT IMPETUS TO DIAMOND SMUGGLING. TO HELP CURB SMUGGLING, GOS LICENSED IN 1974 FOUR NEW FIRMS INCLUDING TWO FROM U.S., TO BUY AND EXPORT ADS DIAMONDS IN COMPETITION WITH GDO. SAME SEVEN AND ONE HALF PERCENT EXPORT TAX APPLIES TO ADS DIAMONDS.

6. EFFECT ON GOSL DIAMOND EXPORT RESTRICTION HAVE BEEN TO UNCLASSIFIED

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CREATE AN INCENTIVE FOR DIAMOND SMUGGLING AS TO MAINTAIN

POSITION OF CSO CARTEL AT EXPENSE OF US DIAMOND BUYERS AND CUTTERS WHO WOULD LIKE TO HAVE FREE ACCESS TO MAKE COMPETITIVE BIDS FOR SIERRA LEONE'S DIAMONDS.

SAMUELS

NOTE BY OC/T: REFTEL C NOT IDENTIFIED

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, EXPORT CONTROLS, IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JUN 1975
Decapton Date: 01 JAN 1960
Decapton Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975FREETO01397
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750220-0981
From: FREETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750614/aaaaampz.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 FREETOWN 0291, 75 FEB 14, 75 1974
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 04 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 MAR 2003 by PhilliR0>; APPROVED <11 MAR 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ETRD, SL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006